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# Accountants Brief

Newsletter  
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### ACC options?

To many self employed people, ACC is just a three letter word, an opportunity for the government to get their hands even deeper into the pockets of Mr & Mrs Joe Public.

Like all insurance policies ACC is a waste of money until the day you have an accident.

If you don't have the policy best suited to your particular situation, then the amount you pay for your ACC cover, may be a waste of money after the accident as well.

The default ACC scheme is CoverPlus. Once you start self employment you are automatically covered and any compensation will be based on 80% of your liable earnings from the previous tax year. For businesses with fluctuating incomes or trading as a partnership where the incomes are split, then there is an obvious problem. The current minimum compensation for a full time self employed person is \$384.00 gross per week. Is this enough?

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*Is \$384.00 gross per week enough?*

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ACC CoverPlus Extra is based on a predetermined level of cover which is negotiated with the ACC. You are compensated for 100% of the predetermined weekly amount and it is not necessary to prove loss. On the surface it would appear the ACC CoverPlus Extra is tailor made for those with fluctuating incomes and in most situations it would be the preferred option. ACC CoverPlus Extra is subject to general underwriting rules, so if you are new to self employment, it is unlikely you would be able to negotiate a satisfactory level of cover.

So once again if the minimum level of cover is not enough you may have to arrange some additional income protection for the interim period until you have established an earnings history.

## Motor cars used in business

You are limited to a 25% income tax deduction for costs unless you keep a log book to substantiate a higher claim. A log book must be kept for a three month period and renewed every three years.

You can only claim the GST in full on the purchase of a motor car if the business use is greater than 50%. You get to return some GST each period for private use. If the business use is less than 50% you cannot claim any GST up front but get to claim a portion each period for the business use. There is a one off GST claim for motor cars purchased under a certain value.

Any motor car owned by or rented by a company can claim all expenses etc in full but because the motor car, in most cases will be available for private use, there needs to be a reimbursement adjustment done.

## Have you considered a family trust?

If all of your assets are owned as a sole trader or in a partnership you may need to consider transferring your assets to a family trust.

The main benefits of holding your assets in a family trust are **protection**. Security against:

- Claims against your estate after death
- Business failure
- Matrimonial and de facto property claims
- Protection of your assets if you end up in a rest home

There may also be some taxation benefits through income splitting, however it would be unusual to form a trust purely for taxation reasons as there are other more efficient means of doing this.

A well constructed family trust is also often a key feature of efficient succession planning.

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*Am I claiming the right costs for my motor car?*

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*Do you need a family trust?*

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## Managing your cash flow

Cash is king in business and unfortunately it doesn't look after itself.

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*Do you know what your cash position is?*

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Your business may be profitable but have you enough cash to pay next month's bills?

If you think that looking into this further may benefit your business then give us a call.

*If you need to discuss or need clarification of any of these issues please do not hesitate to contact us!*

*If you think someone else may benefit from these newsletters let us know and we will put them on the mailing list!*

*If you think a certain topic should be covered then please let us know and we will try to accommodate!*

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